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How North Wove Lifeline for Contras

Secret Resupply Network Evolved as Reaction to Congressional Ban

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Contra leader Adolfo Calero recalled that it was in the Honduran capital of Tegucigalpa in late spring 1984 that he first met Lt. Col. Oliver L. North.

It was an anxious time for Calero and other contra leaders. Continued U.S. aid for the rebels was in serious trouble on Capitol Hill, where an uproar had erupted in April over revelations that the Central Intelligence Agency had directed the mining of Nicaraguan harbors.

But the atmosphere at the meeting was upbeat, Calero recalled. North, a newcomer among the CIA agents also at the meeting, assured Calero that President Reagan would not desert the contras.

The comments by North, a staffer on the president's National Security Council, carried weight with Calero.

"The idea was that something would evolve," Calero recalled recently. "Something would happen."

Something did happen.

Within weeks of North's visit, Calero was put in touch with retired Air Force major general Richard V. Secord, who offered to raise funds from "friends in the Middle East." Over the next eight months, from July 1984 through March 1985, \$32 million flowed into an offshore contra bank account, allegedly from Saudi Arabia—a claim the Saudi government denies.

Regardless of the source, the \$32 million was the contra's lifeline during that period, because in October 1984 Congress cut off all U.S. aid.

As the months went by, North presided over the creation of a multimillion-dollar private contra network of ex-military and intelligence operatives whose activities spanned the jungles of Central America, European and Asian arms centers, and the discreet world of numbered Swiss bank accounts.

Together with fund-raiser Carl R. (Spitz) Channell, North wooed millions of dollars for contra arms from wealthy conservative benefactors, some of whom met privately with Reagan, according to prosecutors investigating the contra war as well as administration arms sales to Iran.

North had replaced the CIA in managing the secret war. Acting with the approval of then-national security adviser Robert C. McFarlane and his successor, then-Vice Adm. John M. Poindexter, North not only found the money but organized the purchase and shipment of arms and eventually even selected contra targets inside Nicaragua—keeping his superiors informed of his efforts, according to the Tower Special Review Board's report and other sources.

McFarlane first assigned North the task of "hand-holding" the contras at the start of the aid ban, and North continued that duty after Poindexter succeeded McFarlane in December 1985, according to the report of the presidentially appointed Tower commission and other informed sources.

Congressional investigators also are examining whether former CIA director William J. Casey, an ardent rebel supporter, continued to help manage the contra war through North and others. In addition, the role of Elliott Abrams, the controversial assistant secretary of state for inter-American affairs, is expected to be scrutinized by congressional investigators, particularly in light of questions the Tower report raised about his assistance to the rebels during the ban. Abrams has denied any wrongdoing.

The secret contra war and how it evolved will be the focus of the first round of public hearings by the select Senate and House Iran-contra committees. The joint hearings begin Tuesday with testimony from Secord, a key North lieutenant in both the contra war and the Iranian arms sales.

Interviews with dozens of former and current administration officials, rebel leaders, members of the private network, ex-military officers, senators, representatives and Hill aides reveal that North's operation began as a reaction to congressional efforts to restrict the goals and tactics of Reagan's contra program.

Since Casey first presented the covert contra program to Congress in 1981, Democrats accused the administration of lying, bypassing normal channels and possibly breaking the law.

Within the administration, Congress was seen as the enemy, as an obstacle to get around, according to former administration officials and members of Congress involved in overseeing the contra program. North, Casey and other administration officials searched for loopholes in the congressional restrictions.

"The whole evolution of this statutory language gave some in the administration the feeling that they could do some of the things they did," said Sen. Warren B. Rudman (R-N.H.), the ranking Republican on the Iran-contra panel. "The language was not as clear as it should have been."

But a Democrat who served on a congressional intelligence oversight committee said the administration suffered from a preoccupation with the contras that was compounded by "an anti-democratic mindset."

"They do not believe in public accountability . . . in the separation of powers. They don't believe in shared power. I think that is a very important message," said the legislator, who asked not to be identified.

At the center was North, who viewed himself as a can-do operative in a governmental system that he considered frustrating and hopelessly mired in legal and other constraints. A Vietnam veteran, he already had experienced the frustration and humiliation of one U.S. defeat at the hands of communists and he was determined not to preside over another, associates said.

Keeping the contras alive became an obsession for North. "It was to him that I carried all my woes and worries," Calero said.

Throughout 1982, Democrats, fearing that Reagan was pushing the United States into another Vietnam-style quagmire, tried to cut off contra aid.

Casey attempted to assure Congress that the goal was not to overthrow the Sandinista government but to interdict arms allegedly being smuggled from Nicaragua to leftist guerrillas in El Salvador.

In an attempt to prevent a cutoff, Casey and other administration officials backed a compromise introduced by Rep. Edward P. Boland (D-Mass.), which permitted continued financing of the contras so long as U.S. funds were not used to

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overthrow the Nicaraguan government or provoke an exchange between Nicaragua and Honduras. The "First Boland Amendment" became law in December 1982.

One ex-congressional intelligence committee staffer said that shortly after the first Boland amendment passed he was present at a briefing when Casey muttered: "That doesn't prohibit anything."

Edgar Chamorro, an ex-contras leader turned critic, said the Sandinista government's ouster was always the goal. "The public statements by United States government officials about the arms flow, we were told by the CIA agents with whom we worked, were necessary to maintain the support of the Congress and should not be taken seriously by us," he said.

As contra ranks swelled to 10,000 troops and attacks inside Nicaragua were launched in 1983, the debate in Washington intensified. But it bogged down in semantics and highly technical legal interpretations.

When a House subcommittee voted to prohibit contra aid in April 1983, Casey appeared that same day before the Republican-controlled Senate Select Committee on Intelligence and persuaded the chairman, Sen. Barry Goldwater (R-Ariz.), that the CIA was abiding by the law. Regardless of what the contras' aims were, Goldwater said in a statement, Casey had assured him that no U.S. funds were being spent "for the purpose of" overthrowing the Sandinistas.

In a May 5, 1983, interview, Reagan called the contras "freedom fighters" and attacked the Democrats' attempts to cut off aid. "It literally was taking away the ability of the executive branch to carry out its constitutional responsibilities," he said. The "purpose of the Sandinista government seems to be not only with El Salvador but the export of revolution to their other neighbors."

A former CIA official familiar with the contra program said intelligence reports from Nicaragua during this period dramatized growing Soviet influence over the Sandinistas but also presented a gloomy assessment of contra chances.

The former official said Casey accepted the reports, but they did not deter his emotional commitment to oust the Sandinistas. Casey, the ex-official said, became

impatient with the State Department bureaucracy: "It made him put more emphasis on the resistance as a way of trying to pull this out of State."

In 1983, then United Nations Ambassador Jeane J. Kirkpatrick visited Central America and reported to Reagan "the region was going to hell in a hand basket, in our own back yard," a former administration official said. "It [the increased alarm] allowed the ideologues of the right to have new importance in the administration's foreign policy. There were tremendous pressures to bypass normal procedures."

In mid-1983, U.S. military officials, including Gen. Paul Gorman, then top U.S. military commander for Central America, persuaded the administration to launch large-scale military exercises in the region. A former military officer involved in the buildup said it was designed to keep the Sandinistas off balance and raise the specter of a possible U.S. invasion, even though one was never seriously considered.

The former officer said the NSC, including North, proved instrumental in cutting through normal Pentagon red tape to get the proposal approved by the president.

"The National Security Council became a more operational unit than it had been in the past because the bureaucracy is so inoperative," said the former military officer, who worked closely with North.

In October 1983, North's stature rose as a result of his role in monitoring the aftermath of the terrorist bombing of the Marine barracks in Beirut and in helping coordinate the U.S. invasion of Grenada.

As congressional opposition to the contras kept building in the last half of 1983, White House officials discussed the possibility of raising funds privately, a former senior Reagan adviser said recently. "I recall it was discussed. We were encouraged to go to outside help."

A former NSC staffer said that in early 1984 McFarlane asked his aides for proposals on how to raise private contra aid. The ex-staffer said another colleague told him North wrote a "nonpaper"—one that does not go into the files—proposing what later took place: soliciting foreign governments and con-

tacting wealthy benefactors and conservative foundations.

Sources close to McFarlane deny that there was a specific memo. They said North simply provided various fund-raising options.

The GOP-controlled Senate for the first time voted against contra aid on June 25, 1984. Eleven days later, the first \$1 million of purportedly Saudi money arrived in a contra Grand Cayman bank account.

In October 1984, while Reagan was campaigning for reelection against Walter F. Mondale, the Senate and House agreed to cut off all aid to the contras. The "Second Boland Amendment," which became law Oct. 12, 1984, then set most of the ground rules for U.S. government involvement with the contras over the next two years. It barred the CIA, the Defense Department "or any other agency or entity of the United States involved in intelligence activities" from "supporting directly or indirectly, military or paramilitary operations in Nicaragua."

(Beginning in January 1986, the restrictions were relaxed when Reagan signed an order, called a "finding," that allowed the CIA to exchange intelligence with the contras and provide communications equipment as well as training in how to use it. The finding was permitted by changes in the law approved by Congress in late 1985.)

During the second half of 1984, North's private network had begun to take shape, according to sources familiar with the operation.

North also developed influential allies in the State Department and the CIA. He worked closely with Duane Clarridge, the CIA official who supervised the contras until he was transferred in 1984 over the mining incident, Clarridge's successor, Alan Fiers, and Abrams, who became the State Department's point man on the contras after assuming his post in July 1985.

Three of the private network's main operatives were: Secord, who worked with North on successfully lobbying Congress to sell Airborne Warning and Control System (AWACS) radar surveillance planes to the Saudis; retired Army major general John K. Singlaub, a leading

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anticommunist activist who was ousted as commander of U.S. forces in Korea when he publicly criticized President Jimmy Carter in 1977, and Robert Owen, a former congressional aide who met North in 1983 while working for Sen. Dan Quayle (R-Ind.).

A source close to the network said that North at first anticipated that Congress would lift the ban relatively quickly, but his role grew deeper as the cutoff stretched on for two years.

Secord, who supervised Mideast arms sales before retiring as an assistant secretary of defense in May 1983, originally was brought in to serve as an arms broker, the source said. Later his role expanded to overseeing with North a contra air resupply operation based in El Salvador.

During the ban, the bulk of the arms purchased by the contras, about \$10 million, were obtained through a group led by Secord. Singlaub arranged for one shipment of \$5 million worth of Soviet-bloc weapons and ammunition.

Singlaub, who had known CIA chief Casey since Casey was his case officer in the Office of Strategic Services during World War II, also helped raise about \$10 million for food, clothing and other nonlethal aid for the contras.

Owen's responsibilities included working with an American farmer based in Costa Rica named John Hull to develop a second front for the rebels along the southern Nicaraguan border, sources said.

Singlaub said that after North's role became public the two agreed that it was no longer smart for them to talk directly, so he communicated with North through intermediaries, or "cutouts."

Owen "was one of those who performed that function," he said.

In the spring of 1985, North again focused on dwindling contra finances. On April 11, 1985, he wrote McFarlane that the contras desperately needed an additional \$15 million to \$20 million. The contras received the last alleged Saudi contribution on March 25, 1985.

Around that same time, according to court documents filed by Lawrence Walsh, the independent counsel for the Iran-contra affair, North found a new money source:

Carl Channell, a relatively unknown conservative Washington fundraiser.

Last week, in the first criminal case of the Iran-contra affair, Channell pleaded guilty in U.S. District Court to conspiring with North and others to defraud the U.S. government of tax revenues by using tax-deductible contributions to finance arms purchases for the contras.

Several key figures in the private network either attended or were involved in an April 15, 1985, banquet for Nicaraguan refugees that featured a speech by Reagan. Channell and a business associate helped sell tickets for the dinner. North arranged for Reagan's appearance, according to an informed source.

Also in the crowd was Owen and public relations executive Richard Miller, who Channell named in court last week as a conspirator in the fund-raising scheme. Miller denies any wrongdoing.

Documents obtained by The Washington Post show that a firm headed by Miller, a 1980 and 1984 Reagan-Bush campaign aide, served in 1985 and last year as a conduit in funneling \$1.7 million from a Channell foundation to a Swiss bank account controlled by North and others.

During the latter half of 1985, North's activities on the contras' behalf prompted questions from the press and congressional oversight panels.

In October 1985, McFarlane wrote Rep. Lee H. Hamilton (D-Ind.), then chairman of the House Permanent Select Committee on Intelligence, "There is no official or unofficial relationship with any member of the NSC staff regarding fund-raising for the Nicaraguan democratic opposition."

Hamilton said recently that without any credible evidence to rebut McFarlane, the committee felt compelled to accept his word. "The process broke down at that point," Hamilton said. "We really couldn't get any evidence on the other side of the question."

Sen. Patrick J. Leahy (D-Vt.), vice chairman of the Senate intelligence committee at the time, said that during the summer of 1985 a government official privately told

him that North was "picking [military] targets" and "getting money to the contras." But, Leahy said, McFarlane denied the allegations when questioned by the committee. Leahy said his hands were tied because his source feared for his job and would not come forward.

A former Senate intelligence committee staffer said the then-Republican-controlled panel was not eager to expose wrongdoing involving the contras. "The political environment was that the [contras] needed help. So people did not want to know, I suppose."

During 1986, North was busy helping Secord run the Salvadoran-based contra air resupply operation in which former CIA operatives and Vietnam war veterans flew arms "drops" to rebel troops inside Nicaragua.

North and his lieutenants kept in touch over a secure communications system set up with encryption devices North obtained from the super-secret National Security Agency. One of those helping North was the CIA station chief in Costa Rica, who went by the pseudonym "Tomas Castillo."

On April 15, 1986, Castillo messaged North that an ammunition delivery "for your friends" was ready. "We are prepared to deliver as soon as you call for it," North was told.

The resupply operation was exposed last Oct. 5 when a C123 cargo plane was shot down over Nicaragua, leading to the capture of ex-CIA cargo handler Eugene Hasenfus.

Congressional investigators are attempting to learn the extent to which other administration officials, particularly members of the Restricted Interagency Group, or RIG, on Central America, knew about the air resupply operation and other contra military operations.

Lewis A. Tambs, the former U.S. ambassador to Costa Rica, told the Tower panel that just before he assumed his post in San Jose in July 1985 the RIG that included Abrams gave him "instructions . . . to aid the Nicaraguan resistance forces in setting up a 'southern front.'"

[Tambs, in an interview in yesterday's New York Times, said that his and Castillo's actions were taken on orders from the RIG. He

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specifically cited Abrams, North and Fiers of the CIA. Tambs said the three are now denying their roles in an effort to save their jobs. "It's insane," Tambs was quoted as saying. Tambs said he relied on the RIG to decide what was legal.]

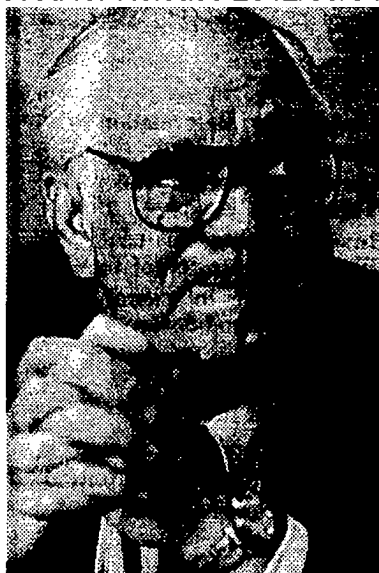
Castillo, who is identified only as "a CIA field officer" in the Tower report, told the board that Abrams and North were "well-informed" about a secret air strip in northern Costa Rica used by the air resupply operation. Abrams told the panel he could not remember when or from whom he learned of the air strip.

Abrams told the Tower board that he and other RIG members knew that North was "somehow connected" with contra arms deliveries during the ban. "I think most of us were careful not to ask a lot of questions, other than once in a while to say, is this stuff legal?"

Abrams and Richard Armitage, an assistant defense secretary and another member of the RIG, told the Tower board North assured them, "I have broken no laws."

North privately told friends that he expected to be the "fall guy" if his role in the secret contra network was exposed, according to a friend. But the friend said North did not anticipate the large outcry that has erupted in the press and on Capitol Hill over the purported diversion of money from the Iran arms sales to the contras.

Sometime last November, after the Hasenfus plane had crashed, North assured Armitage that he was not worried. "It's going to be just fine," North said, "as soon as everyone knows . . . the ayatollah is helping us with the contras."



ADOLFO CALERO
... "something would happen"



LT. COL. OLIVER L. NORTH
... saw himself as can-do operator

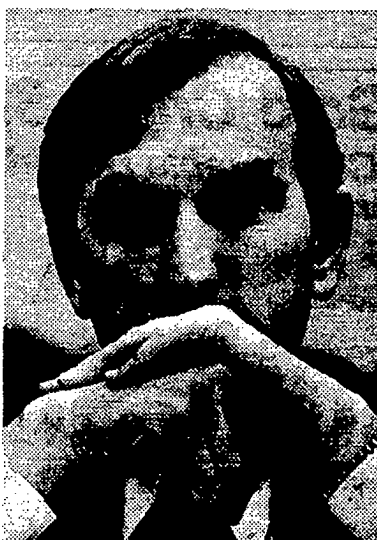


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Sandinista soldiers lead Eugene Hasenfus to site of the crash of his C123 cargo plane. The plane's downing last fall exposed the contra resupply operation.



REP. EDWARD P. BOLAND
... amendments set ground rules



ELLIOTT ABRAMS
... assistance to rebels scrutinized